



# LANDLORD LOAN INTEREST FREE FACT SHEET

## **Introduction**

Hull City Council (HCC) and Homes and Loans have developed an interest free loan scheme for landlords in the private rented sector. This is a new opportunity for landlords to access a loan to bring their empty property back into use and / or make their property decent for tenants to live in.

This factsheet is to help you understand more about the detail of the Landlord Loan.

The loan is a secured loan that allows you to release the equity in your property to refurbish or improve it to bring it back into a habitable condition.

The loan is provided through Homes and Loans which is part of Sheffield City Council. They deliver loans to property owners across the Yorkshire and Humber Region to assist in essential property repairs.

## **Who is the loan for?**

- You can apply for a loan if you already own a Property– it is not intended to help you buy it.
- You must be aged 18 years old or over.
- You do not owe the Council any money, for example: former rent arrears, council tax arrears, have any land charges against your property or have any costs outstanding as a result of works in default to your property.

\* Please note this list is not exhaustive: please contact HCC for more information.

## **What is the loan for?**

To carry out work to bring your property back into a habitable condition and make it decent for tenants to live in.

## **How does the loan work?**

- The term of the loan will be dependent on the amount you borrow and will be determined by HCC at the start of your application. It will be between 2 - 7 years from the start date of your loan; the start date is the date the work is signed off as satisfactory by HCC;
- The minimum loan amount that can be borrowed is £2,000 and the maximum is £30,000.
- There are no monthly repayments to make;

- The loan is secured as a legal charge against your property and will rank behind any current legal charges on your property;
- The loan is an interest free loan – meaning you will pay back the original amount you borrow provided you repay it by the due date at the end of the agreed term;
- To determine if you have enough equity in your property, we will pay for a valuation to be carried out by an independent valuer appointed by Homes and Loans. This is to confirm your property's anticipated improved value once the proposed works have been completed;
- The anticipated improved value provided by the valuer will be based on the market conditions and information available at the time of the inspection, including the list of works that will have been agreed by HCC;
- If you have a mortgage or loan(s) secured against the property, consent may be needed from the lender to enable the legal charge to be registered. If consent is not given, we will not be able to proceed with the loan. Your lender may charge us to give consent; any fees will be payable by you either in advance or by being added to your loan if you prefer;
- Additionally if you have any other restrictions, cautions, notices or equitable charges registered against your property, we may have to obtain consent to register the legal charge from the relevant organisations. If consent is not given, we will not be able to proceed with the loan. These organisations may charge us to give consent; again any fees will be payable by you either in advance or by being added to your loan if you prefer;
- A formal Equity Mortgage Offer Document will be issued as part of the loan process. When you receive it, you will have 28 days from the date of issue to sign, date and return it Homes and Loans;
- Homes and Loans will appoint the scheme solicitor to undertake the legal work in order to be able to register the legal charge on your property to secure your loan;
- Once our legal charge has been registered you will receive a letter from us to approve work to start on your property; you must not start work until you have received this letter. If you do, you do so at your own risk.
- Any extra work you may plan to do that is additional to works agreed by HCC has not been taken into account when calculating the improved value of your property or land. You are responsible for paying for any extra work that is additional to the works agreed by HCC;
- If your contractor finds additional unforeseen work that has not been agreed by HCC, you must inform us immediately. This is so we can consider if the unforeseen work can be covered by your loan and if we can allow work to continue. If we allow your loan to cover the unforeseen work, you will need to sign a new Equity Mortgage Offer Document to cover the increased amount of loan before work can continue.
- If you instruct your contractor to continue with the unforeseen work without our agreement and we do not agree to an increase in your loan or you do not sign a new loan agreement, you are doing so at your own risk and will be responsible for any increased costs in the work.

- You must complete the works to our satisfaction within 3 months from the date your loan is approved; if you cannot complete the works to our satisfaction, it will be your responsibility to provide satisfactory evidence of why you have been unable to start works or complete them in full.
- When the works to your property are complete we will carry out an inspection to make sure the works are satisfactory and we will both sign a certificate of satisfaction to confirm this.
- We will have the overriding decision as to whether or not the work has been satisfactorily completed.
- On completion of the work to your property to our satisfaction, we will pay you chosen contractor direct for the work we have agreed at the outset;
- We provide you with a no-negative equity guarantee, which means that when the loan is repaid, if the equity in the property is not enough to cover the loan, you will only be required to repay an amount equal to the equity, not the full loan amount.

### **Repaying your loan**

Your loan is repayable in any of the following circumstances;

- On the expiry of the agreed term of your loan ; loan terms will be between 2 – 7 years and will be dependent on the loan amount and determined by us at the start of the application process; the loan start date is defined as the date we sign off all the work on your property as satisfactory;
- Transfer of ownership – including full or part transfer of your property or derelict land within the agreed loan term;
- Death of the last borrower;
- If your property is not occupied as a home within 3 months of the start date of the loan;
- If your property becomes unoccupied for a period of 3 consecutive months or more, unless you can prove to the satisfaction of HCC that you have used all reasonable endeavours to ensure your property is occupied;

You can repay your loan in full at any time or make part repayments to your loan at any time subject to a minimum amount of £2,000;

### **What are the obligations and risks involved in taking out a loan?**

- It is your responsibility to ensure you are able to repay your loan by the end of the agreed term. Your property may be at risk if you do not comply with the terms and conditions of your loan;
- HCC will be entitled to demand immediate repayment of your loan together with all other sums owing but unpaid, in any of the following circumstances if:

- You fail to carry out all the works or any part of the works required by HCC to our satisfaction;
  - You do not repay your loan on the date due;
  - In the event of the death of the last borrower your property has not been sold or loan repaid within a period of 18 months by the executors of your estate;
  - The specified work is not completed within 3 months of approval of your loan; The 3 month period for work to be carried out may be extended by HCC where there is a valid reason for the delay. Your property is not occupied within 3 months of the start date of your loan; unless you can prove to the satisfaction of HCC that you have used all reasonable endeavours to allow the property to be occupied;
  - Your property becomes unoccupied for any period of 3 consecutive months or more, unless you can prove to the satisfaction of HCC that you have used all reasonable endeavours to ensure your property is occupied;
  - Any information provided about yourself or business proves to be incomplete or inaccurate;
  - Your property is not used as a residential rented property;
  - The legal charge to secure your loan on the property is or becomes unenforceable;
  - You fail to comply with the terms of any other or subsequent mortgage on your property, we cannot stop your lender from repossessing your property;
  - You take out a further advance from a lender who either already has a legal charge registered on your property or subsequently takes a legal charge over your property without you obtaining our prior written consent;
  - You fail to have adequate building insurance to cover the full rebuilding costs (and fees) of any buildings on the property in place for the duration of your loan (which must be index linked) and provide evidence to Homes and Loans when requested to do so.
  - At any time during the loan term your property is occupied for any period by any party on any basis other than by a third part under an assured shorthold tenancy agreement in a form approved by HCC.
- If you do not repay your loan within 21 days of the due date, we will be entitled to demand and receive payment in full together with interest equivalent to 4% of the Bank Of England base rate at the time from the due date until your loan is repaid;
  - You must keep your property in good repair. If you don't, we have the right to inspect your property and get the repairs done, but we will tell you if we intend to do this. The cost of any repairs we have to arrange will be added to the amount you owe on your loan;
  - It is your responsibility to inform any mortgage lenders or any third parties with an interest in your property that you intend to let it out.

**What fees are payable to set up your loan?**

HCC will pay for the initial valuation of your property in order to determine the anticipated improved value of your property based on the works agreed by them. All other loan set up fees are payable by you. We have provided a separate Tariff of Charges as to what fees are payable by you, either in advance or by adding them to your loan.

**We strongly recommend you should seek independent legal and financial advice before committing yourself to this loan.**

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